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**ST. MARY PARISH WATER
AND SEWER COMMISSION NO. 4**

Charenton, Louisiana

Financial Report

Year Ended September 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/6/11

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 4
Charenton, Louisiana

We have audited the accompanying financial statements of the business-type activities of St. Mary Parish Water and Sewer Commission No. 4 (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2010, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of St. Mary Parish Water and Sewer Commission No. 4, as of September 30, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2011, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Commission has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City Louisiana
March 22, 2011

BASIC FINANCIAL STATEMENTS

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Balance Sheet
September 30, 2010

ASSETS

Current assets

Cash and interest-bearing deposits	\$ 174,817
Receivables	
Accounts	134,844
Ad valorem taxes, net of allowance of \$15,343	8,370
Due from other governmental units	6,054
Prepaid expenses	21,494
Restricted assets	
Cash and interest-bearing deposits	<u>767,361</u>
Total current assets	<u>1,112,940</u>

Noncurrent assets

Restricted assets	
Cash and interest-bearing deposits	24,289
Capital assets	
Capital assets, net of accumulated depreciation	<u>1,773,116</u>
Total noncurrent assets	<u>1,797,405</u>

Other assets

Deferred bond issue costs, net	<u>22,342</u>
Total assets	<u>\$2,932,687</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4

Charenton, Louisiana

Balance Sheet (continued)

September 30, 2010

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 48,309
Due to other governmental units	168,478
Accrued liabilities	45,517
Payable from restricted assets	
Current maturities of bonds payable	60,000
Accrued interest	5,503
Refundable deposits	<u>24,196</u>
Total current liabilities	<u>352,003</u>

Long-term liabilities

Water improvement bonds payable	275,000
General obligation bonds payable	<u>1,090,000</u>
Total long term liabilities	<u>1,365,000</u>

Total liabilities	<u>1,717,003</u>
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Net assets

Invested in capital assets, net of related debt	764,432
Restricted for debt service	110,670
Unrestricted	<u>100,206</u>
Total net assets	<u>975,308</u>

Total liabilities and net assets	<u>\$ 2,692,311</u>
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The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2010

OPERATING REVENUES

Ad valorem taxes - operating	\$ 511,463
Water sales	848,573
Sewer user and inspection fees	369,946
Commissions and fees for services	<u>34,108</u>
Total operating revenues	<u>1,764,090</u>

OPERATING EXPENSES

Salaries and related benefits	723,972
Supplies and materials	7,595
Operation and maintenance	177,639
Other services and charges	150,097
Plant operation	310,010
Depreciation	<u>70,253</u>
Total operating expenses	<u>1,439,566</u>
Operating income	<u>324,524</u>

NONOPERATING REVENUES (EXPENSES)

Ad valorem taxes - debt service	120,954
Bad debts	(18,972)
Bond interest and fiscal charges	(57,709)
Bond issue costs	(1,435)
Interest income	11,274
Intergovernmental capital grants	218,997
Intergovernmental transfers	(124,366)
Miscellaneous income	<u>9,941</u>
Total nonoperating revenue (expense)	<u>158,684</u>

Change in net assets	483,208
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NET ASSETS, beginning	<u>492,100</u>
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NET ASSETS, ending	<u>\$ 975,308</u>
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The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Cash Flows
Year Ended September 30, 2010

OPERATING ACTIVITIES

Revenue collected	\$ 1,222,625
Ad valorem tax receipts	511,463
Payments for goods and services	(413,840)
Payments to employees	<u>(723,972)</u>
Net cash provided by operating activities	<u>596,276</u>

NONCAPITAL FINANCING ACTIVITIES

Proceeds from customer deposits	10,111
Miscellaneous receipts	9,941
Intergovernmental grants and transfers	(124,366)
Receipts from nonoperating taxes	<u>120,954</u>
Net cash provided by noncapital financing activities	<u>16,640</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(812,466)
Intergovernmental grants	218,997
Interest and fiscal charges paid	(57,883)
Principal payments on bonds	<u>(55,000)</u>
Net cash used in capital and related financing activities	<u>(706,352)</u>

INVESTING ACTIVITIES

Interest received	<u>11,274</u>
Net decrease in cash	(82,162)
Cash and cash equivalents, beginning	<u>1,048,629</u>
Cash and cash equivalents, end	<u>\$ 966,467</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Cash Flows (continued)
Year Ended September 30, 2010

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 324,524
Adjustment to reconcile operating income to net cash provided by operating activities -	
Depreciation	70,253
Provision for uncollectible accounts	(27,342)
Changes in assets and liabilities:	
Decrease in receivables	3,394
Increase in prepaid expenses and other assets	(6,153)
Increase in accounts payable	246,355
Increase in accrued liabilities	14,886
Decrease in due to other governmental entities	<u>(29,641)</u>
Net cash provided by operating activities	<u>\$ 596,276</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements

INTRODUCTION

The St. Mary Parish Water and Sewer Commission No. 4 ("Commission") was created under the provisions of Louisiana Revised Statutes 33:7831 by ordinance issued by the St. Mary Parish Council on January 10, 2007. The Commission is authorized to operate, maintain, improve, extend and/or dispose of all works and facilities for water, sewer, and sewerage treatment or disposal facilities and systems within a designated territory of St. Mary Parish. The Commission is governed by seven board members appointed by the St. Mary Parish Council.

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a) The ability of the Parish to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish.
2. Organizations for which the Parish does not appoint a voting majority but are fiscally dependent on the Parish council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Parish Council appoints the Commission's governing body, the Commission was determined to be a component unit of the Parish of St. Mary, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying financial statements of the Commission have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Fund Financial Statements

The accounts of the Commission are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The proprietary fund is maintained consistent with legal and managerial requirements.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Proprietary Funds -

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The two types of proprietary funds are enterprise and internal service funds. The Commission's fund is an enterprise fund.

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

Business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the Statement of Net Assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit. For the purpose of the cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year end.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond year end, are recorded as prepaid items.

Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, and equipment are reported in the statement of net assets. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$2,500 for capitalizing assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

The range of estimated useful lives by type of asset is as follows:

Water system	20-50 years
Sewer System	50 years
Buildings	40 years
Improvements	20 years
Equipment and vehicles	5-10 years

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations.

Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts by direct write-off at the time information becomes available which would indicate the uncollectibility of the particular receivable. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

Compensated Absences

The Commission adopted an annual vacation and sick leave policy for all full time employees. Vacation varies with the length of service and cannot be carried forward. Sick leave is accrued at a rate of one day per month and is allowed to accumulate up to 120 days. Up to 90 days of sick leave may be paid as a termination benefit upon retirement.

Long-term Debt

All long-term debt to be repaid from business-type resources is reported as liabilities. The long-term debt consists primarily of bonds payable.

Bond Issue Costs

Bond issue costs are being amortized by the straight-line method over the life of the related bond issue.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

E. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenses

Expenses are classified by function for business-type activities. Expenses are further classified as operating and nonoperating.

Proprietary funds report expenses relating to use of economic resources.

F. Budgets and Budgetary Accounting

Enterprise funds are not required under Louisiana Revised Statute 39:1301 et seq. to adopt a budget and the Commission has elected to not formally adopt a budget. Accordingly, budgeted figures are not presented in this financial report.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2010, the Commission has cash and interest-bearing deposits (book balances) totaling \$966,467 as follows:

Cash on hand	\$ 2,237
Demand deposits	579,384
Time deposits	<u>384,846</u>
Total cash	<u>\$ 966,467</u>

Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Commission or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at September 30, 2010, are secured as follows:

Bank balances	<u>\$ 969,297</u>
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At September 30, 2010, the deposits are secured as follows:

Federal deposit insurance	905,289
Pledged securities	<u>64,008</u>
Total	<u>\$ 969,297</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. The Commission does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. Since the Commission's total bank balances were fully insured or collateralized, the deposits are not exposed to custodial credit risk.

(3) Restricted Assets

Restricted assets consisted of the following at September 30, 2010:

	<u>Cash</u>
Water improvement bonds	\$ 767,361
Customer security deposits	<u>24,289</u>
	<u>\$ 791,650</u>

(4) Ad Valorem Taxes

The following is a summary of authorized and levied ad valorem tax millages:

	<u>Authorized/ Levied Millage</u>
Commission taxes;	
Debt millage	3.50
Operating millage	<u>14.80</u>
Total tax millage	<u>18.30</u>

Levied millages for debt taxes are restricted to payment of principal and interest on general obligation bonds and are reported as nonoperating revenue on the statement of revenues, expenses and changes in net assets.

Ad valorem taxes for the operation and maintenance millage are reported as operating revenue on the statement of revenues, expenses and changes in net assets.

Total taxes of \$632,417 were levied on property having assessed taxable valuations totaling \$34,558,332.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(5) Capital Assets

Capital asset activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 16,433	\$ 762,489	\$ 249,461	\$ 529,461
Capital assets being depreciated:				
Water system	76,160	252,086	-	328,246
Sewer system	553,460	18,186	-	571,646
Buildings	51,332	-	-	51,332
Improvements	320,780	3,275	-	324,055
Equipment and vehicles	86,888	25,891	-	112,779
Total capital assets being depreciated	1,088,620	299,438	-	1,388,058
Less accumulated depreciation for:				
Water system	5,667	12,568	-	18,235
Sewer system	31,264	28,847	-	60,111
Buildings	1,540	1,156	-	2,696
Improvements	20,069	14,773	-	34,842
Equipment and vehicles	15,610	12,909	-	28,519
Total accumulated depreciation	74,150	70,253	-	144,403
Total capital assets being depreciated, net	1,014,470	229,185	-	1,243,655
Capital assets, net	\$ 1,030,903	\$ 991,674	\$ 249,461	\$ 1,773,116

Depreciation expense charged to the Commission's business-type activities for the year ended September 30, 2010 totaled \$70,253.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(6) Deferred Bond Issue Costs

As described in Note 7, the Commission issued General Obligation Bonds, Series 2008 and Water Improvement Bonds, Series 2007 in a preceding year. Expenses, primarily legal fees, were incurred in connection with the issuance of the bonds. Accounting principles require such costs to be reported as deferred charges on the balance sheet and amortized from the date of sale until the maturity of the obligation.

At September 30, 2010, the Commission has unamortized deferred bond issue costs as follows:

	Water Improvement Bonds	General Obligation Bonds
Bond issue costs	\$ 5,600	\$ 21,422
Amortization recognized	(1,493)	(3,187)
	<u>\$ 4,107</u>	<u>\$ 18,235</u>

For the year ended September 30, 2010, amortization recognized for the Water Improvement and GO Bonds was \$373 and \$1,063 respectively.

(7) Changes in Long-Term Debt

The following is a summary of bond transactions of the Commission for the year ended September 30, 2010:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Water Improvement Bonds, Series 2007	\$ 315,000	\$ -	\$ 20,000	\$ 295,000	\$ 20,000
General Obligation Bonds, Series 2008	1,165,000	-	35,000	1,130,000	40,000
	<u>\$1,480,000</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$1,425,000</u>	<u>\$ 60,000</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Bonds payable at September 30, 2010 are comprised of the following individual issues:

\$350,000 Water Improvement Bonds, Series 2007, dated 09/05/07; due in annual installments of \$16,000-\$30,000 through August 1, 2022; interest rate of 4.119% per annum, secured by system revenue.

\$ 295,000

\$1,200,000 General Obligation Bonds, Series 2008, dated 03/01/08; due in annual installments of \$35,000-\$95,000 through March 1, 2028; interest rate of 3.94% per annum, secured by ad valorem taxation.

\$1,130,000

The bonds are due as follows:

Year Ending September 30,	Water Improvement Bonds		General Obligation Bonds		TOTAL
	Principal	Interest	Principal	Interest	
2011	\$ 20,000	\$ 11,875	\$ 40,000	\$ 43,734	\$ 115,609
2012	20,000	11,484	40,000	42,158	113,642
2013	21,000	11,092	45,000	40,483	117,575
2014	22,000	10,179	45,000	38,710	115,889
2015	23,000	9,222	45,000	36,938	114,160
2016 - 2020	130,000	30,233	280,000	153,660	593,893
2021 - 2025	59,000	3,872	365,000	90,521	518,393
2026 - 2029	-	-	270,000	16,351	286,351
	<u>\$ 295,000</u>	<u>\$ 87,957</u>	<u>\$1,130,000</u>	<u>\$462,555</u>	<u>\$1,975,512</u>

(8) Employee Retirement

All full-time employees of the Commission participate in the Parochial Employees' Retirement System of Louisiana (Plan B). This system is a multiple-employer public retirement system (PERS) and is controlled and administered by a separate board of trustees.

Plan members are required to contribute 3.0 percent of their annual covered salary to the system while the Commission is required to contribute the statutory rate of 6.5 percent from Oct-Dec 2009 and 10 percent from Jan-Sept 2010 of the total annual covered salary. The Commission's contributions to the system for the years ended September 30, 2010, 2009, and 2008, were \$42,699, \$31,300, and \$27,882, respectively.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Parochial Employees' Retirement System, P. O. Box 14619, Baton Rouge, Louisiana 70898-4619.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(9) Contingencies

The Commission operates a sewerage plant, which is regulated by the Department of Environmental Quality and the Environmental Protection Agency. In the opinion of the Board of Commissioners, all applicable regulations have received full compliance, however, due to the complexity of the regulations, differing interpretations of the regulations by DEQ and/or the EPA may result in instances of noncompliance.

(10) Compensation Paid to Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 33:7833 limits compensation paid to board members, with the approval of the board, for per diem and travel allowance to an amount not to exceed \$250 per month.

Thomas Ducote, President	\$ 3,034
Anthony Darden, Vice President	2,100
Willie Scott, Secretary/Treasurer	2,400
Julius Hebert	1,925
Clarence Mathews	1,925
Stephanie Burney	2,100
Camile Punch	1,750
	<u>\$ 15,234</u>

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ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(11) Related Party Activity

Parish of St. Mary ("Parish"):

Capital Transfers

The Parish transferred \$218,997 to the Commission for improvements on Oaklawn Bridge and Hwy 182 and Penn Road. Such transfers are recognized as a component of nonoperating revenue in the Commission's financial statements as Intergovernmental Capital Grants.

Consolidated Districts:

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. On July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7. The transfers between these entities and the Commission were as follows:

Transfers to St. Mary Parish Waterworks No.6	
Debt retirement	\$ (51,060)
Reserve fund	(2,844)
Contingency fund	(2,844)
Operating	(245)
Total transfers to St. Mary Parish Waterworks No. 6	<u>\$ (56,993)</u>
Transfers to St. Mary Parish Sewerage District No. 9	
Debt retirement	\$ (60,781)
Reserve fund	(3,296)
Contingency fund	(3,296)
Total transfers to St. Mary Parish Sewerage District No. 9	<u>\$ (67,373)</u>
Total	<u><u>\$ (124,366)</u></u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(12) Subsequent Events

Consolidation

On August 18, 2010, a resolution was adopted by the Board of Commissioners of St. Mary Parish Water and Sewer Commission No. 4, ordering and calling a special election to be held on November 2, 2010 to authorize the assumption of debt of the various waterworks and sewer districts within its jurisdiction. This proposition was passed at the November 2, 2010 elections and can be initiated 60 days subsequent to passage.

The following debt of the Waterworks District No. 6 of the Parish of St Mary was assumed by Water and Sewer Commission No. 4 as of January 2, 2011:

\$720,000 (remaining principal amount) of General Obligation Refunding Bonds, Series 2004, dated March 1, 2004, maturing serially on March 1 of the years 2011 to 2015, inclusive, bearing interest at 3.4%.

\$960,000 (original principal amount) of General Obligation Bonds, Series 2004, dated April 1, 2004, maturing serially on March 1 of the years 2011 to 2024, inclusive, bearing interest at 2.5% - 6.0%.

\$900,000 (original principal amount) of Water Revenue Bonds, Series 2004, dated March 1, 2004, maturing monthly on the 27th day of each month with a final maturity of December 27, 2041, bearing interest at 4.75%.

The following debt of Sewerage District No. 9 of the Parish of St Mary was assumed by Water and Sewer Commission No. 4 as of January 2, 2011:

\$1,100,000 (original principal amount) of Sewer Revenue Bonds, Series 2000, dated December 5, 2000, maturing monthly on the 5th day of each month with a final maturity of December 5, 2040, bearing interest at 4.50%.

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 4
Charenton, Louisiana

We have audited the financial statements of the business-type activities of the St. Mary Parish Water and Sewer Commission No. 4, (hereinafter "Commission"), a component unit of the Parish of St. Mary as of and for the year ended September 30, 2010, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit results and findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of audit results and findings as item 2010-01 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of audit results and findings as item 2010-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Commission's responses to the findings identified in our audit are described in the accompanying corrective action plan for current year findings. We did not audit the Commission's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Commissioners, management and others within the organization, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Champagne, Slaven & Company, LLC

Certified Public Accountants

Morgan City Louisiana
March 22, 2011

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Audit Results and Findings
Year Ended September 30, 2010

Part I. Summary of Auditor's Results:

An unqualified opinion was issued on the financial statements of the Commission's business-type activities.

Significant deficiencies in internal control were disclosed by the audit of the financial statements and one of the conditions is considered a material weakness.

There were no instances of noncompliance required to be reported under *Government Auditing Standards*.

A management letter was not issued.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2010

Part II. Findings required to be reported in accordance with *Government Auditing Standards*:

A. Internal Control

2010-01 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Commission's internal control over financial reporting includes those policies and procedures that pertain to the Commission's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2010

2010-02 - Application of GAAP (generally accepted accounting principles)

CONDITION: Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

CRITERIA: AU §325.29 identifies, as a deficiency in the design of (internal) controls, employees or management who lack the qualifications and training to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording financial transactions or preparing its financial statements.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

B. Compliance

No compliance issues are reported.

Part III. Findings and questioned costs for Federal awards reported in accordance with Office of Management and Budget Circular A-133:

The requirements of OMB Circular A-133 do not apply to the Commission.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2010

A. Internal Control-

2009-01 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of audit results and findings item 2010-01.

2009-02 - Application of GAAP

CONDITION: Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

CURRENT STATUS: See schedule of audit results and findings item 2010-2.

B. Compliance-

No compliance issues were reported.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Corrective Action Plan for Current Year Findings
Year Ended September 30, 2010

2010-01 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: Not considered necessary

2010-02 - Application of GAAP (generally accepted accounting principles)

CONDITION: Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

MANAGEMENT'S RESPONSE: The Commission has evaluated the cost/benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and has determined that it is in the best interest of the Commission to outsource this task to its independent auditors and will review, approve, and accept responsibility for the content and presentation of the statements and related notes prior to issuance.